

| FLA Audit Profile | | | | IEV Profile | | |
|--|---|--------------------------------------|--|---|---------------|--|
| Country | China | | | China | | |
| Name of Factory | 440015548F | | | 440015548FV | | |
| Independent External Monitoring Organization | Level Works Limited | | | Openview Service Limited | | |
| Date(s) in Facility | September 3-4, 2007 | | | September 13, 2011 | | |
| FLA Affiliated Compan(ies) | Hennes & Mauritz AB | | | Hennes & Mauritz AB | | |
| Number of Workers | 2600 | | | 732 | | |
| Product(s) | Women's Coates, Dresses; Children's Coats, etc. | | | Women's Coates, Dresses; Children's Coats, etc. | | |
| Production Processes | Cutting, Sewing, Pressing, Inspection, Packing | | | Cutting, Sewing, Pressing, Inspection, Packing | | |
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| FLA Code/Benchmark | Compliance Status | [Status] Completed, Pending, Ongoing | Noncompliance, Risk of Noncompliance or Uncorroborated Evidence of Noncompliance | Updates (Cite Date of Follow Up) | | Third-Party Verification |
| | | | | Company Follow Up | Documentation | External Verification (September 13, 2011) |
| GEN 2: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis. | Noncompliance | | The factory did not post the company Code of Conduct on site. | | | Completed: H&M's Code of Conduct was posted in the factory. |
| Other | Noncompliance | Ongoing | 1) No registration was arranged for juvenile workers. 2) Management systems, such as risk assessment mechanism, procedures or policies etc; were not established to prevent major noncompliance. | | | Ongoing: 1) It was confirmed that there were no juvenile workers in the factory. The factory management stated that they will arrange for them to register in the labor bureau if they employ juvenile workers. 2) The health and safety management systems, such as risk assessment mechanism, procedures or policies, etc., were still in the process of being developed. |
| Other | Noncompliance | Ongoing | A copy of the labor contract was not given to workers, both copies were kept by the factory. | | | Ongoing: It was confirmed that the copy of the contract was given to most workers, but no labor contract was provided for about 27 temporary workers. |
| H&S.3 Written Health and Safety Policy | Noncompliance | | No written Health and Safety Policy was established by the factory. | | | Completed: It was noted that the Health and Safety policy was established in the factory. |
| H&S.8 Permits and Certificates | Noncompliance | | The fire service inspection certificate for 1 block was not available for review in this audit. | | | Ongoing: It was confirmed that the factory has obtained related a fire permit for the production building. (Factory used 5 production buildings before year 2008, but they only use 1 production building now.) But, it was noted that the inspection certificate of the boiler in the factory expired August 28, 2011. |
| H&S.17 Ventilation/Electrical/Facility Installation and Maintenance | Noncompliance | | No fire sprinkler system installed in the factory. | | | Completed: It was found that the fire sprinkler system was installed in the warehouse and production workshop properly. |
| H&S.18 Machinery Maintenance and Worker Training | Noncompliance | | No safety belt guards were on 3 to 4 sewing machines in the sewing section. | | | Ongoing: It was found that belt guards were installed properly, but most sewing machines had no needle guards and the 2 cutting machines had no blade safety guards. |

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| H&S.21 Medical Facilities | Noncompliance | | No medical facility (clinic) in factory. | | | Ongoing: It was found that there was still no clinic, but factory had trained first aiders and first aid kits were in all workshops. |
| Other | Noncompliance | | Local fire permit was not posted. | | | Completed: It was found that legally required fire safety regulations were posted in the workplace. |
| FOA.1 General Compliance Freedom of Association | Risk of noncompliance | Ongoing | No union and no joint worker management committee in the factory. | | | Ongoing: It was noted that there was a Workers' Rights Committee, but most of the committee members were supervisors and managers. Also, there were no election records. |
| FOA.2 Right to Freely Associate | Noncompliance | | See FLA comment on China situation. | | | Pending: There was no independent trade union in the factory. |

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| FOA.18 Right to Collective Bargaining | Risk of noncompliance | | No collective bargaining agreement in the factory. | | | Pending: There was still no collective bargaining agreement (CBA) in the factory. |
| Other | Noncompliance | Ongoing | No written factory policy on supporting independent worker representation. | | | Completed: The factory had established a written policy on freedom of association. |
| HOW.1 General Compliance Hours of Work | Noncompliance | Ongoing | The compliance status of "overtime hours" and "rest days" could not be verified due to inconsistencies noted during this audit. | | | Pending: 80% of workers worked more than 60 hours, around 72 – 80 hours per week. The monthly overtime time for most workers were more than 36 hours per month, about 120 hours per month, and up to 140 hours per month. The daily overtime hours for most workers were 3 - 5.5 hours per day. |

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| HOW.2 Rest Day | Noncompliance | Ongoing | The compliance status of "rest days" could not be verified due to inconsistencies noted during this audit. | | | Pending: 1 day off in 7 could not be guaranteed. The majority of workers have rested 1 or 2 days per month in the past one year. |
| WBOT.1 General Compliance Wages, Benefits and Overtime Compensation | Noncompliance | Ongoing | The compliance status of "minimum wages" and "overtime wages" could not be verified due to inconsistencies noted during this audit. | | | Pending: The wages of 10% of the workers were less than the legal minimum of RMB 6.32 per hour before March 2011, the wages of 30% of workers were less than the legal minimum of RMB 7.59 per hour after March 2011. |
| WBOT.2 Minimum Wage | Noncompliance | Ongoing | The compliance status of minimum wages could not be verified due to inconsistencies noted during this audit. | | | Pending: The wages of 10% of workers were less than the legal minimum of RMB 6.32 per hour before March 2011, the wages of 30% of workers were less than the legal minimum of RMB 7.59 per hour after March 2011. |

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| WBOT.7 Payment for All Hours Worked | Noncompliance | Ongoing | The compliance status of "minimum wages" and "overtime wages" could not be verified due to inconsistencies noted during this audit. | | | Completed: All workers were paid by piece rate and no inconsistencies were identified. |
| WBOT.8 Calculation Basis for Overtime Payments | Noncompliance | Ongoing | The compliance status of "minimum wages" and "overtime wages" could not be verified due to inconsistencies noted during this audit. | | | Pending: The OT wages of 50% of workers were less than the legal minimum of RMB 9.48 per hour before March 2011 and RMB 11.39 per hour since March 2011 on weekdays, and RMB 12.64 per hour before March 2011 and RMB 15.18 since March 2011 on rest days. |
| WBOT.10 Premium/Overtime Compensation | Noncompliance | | The compliance status of "minimum wages" and "overtime wages" could not be verified due to inconsistencies noted during this audit. | | | Completed: All workers were paid by piece rate, although the minimum wage and overtime premium could not be guaranteed. |
| WBOT.12 Overtime Compensation for Piece Rates and Other Incentive Schemes | Risk of noncompliance | | The compliance status of "overtime wages" could not be verified due to inconsistencies noted during this audit. According to provided attendance and payroll, employees are not compensated based on piece rate. | | | Completed: All workers were paid by piece rate. The payroll records were completed and accurate. |
| WBOT.17 Accurate Calculation and Recording of Wage Compensation | Noncompliance | Ongoing | The compliance status of "minimum wages" and "overtime wages" could not be verified due to inconsistencies noted during this audit. | | | Completed: All workers were paid by piece rate, although the minimum wage and overtime premium could not be guaranteed. |
| WBOT.19 False Payroll Records | Noncompliance | Ongoing | The compliance status of "Minimum wages" and "Overtime Wages" could not be verified due to inconsistencies noted during this audit. | | | Completed: All workers were paid by piece rate. The payroll records were completed and accurate. |

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| MISC.1 Illegal Subcontracting | Noncompliance | | It was noted that the washing and embroidery processes were subcontracted to the following factory, but not approved by FLA company - H & M. | | | Completed: The washing subcontractor was designated by H&M. There was no embroidery process for H&M production. |

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| Documentation | Company Follow Up (October 2012) | Documentation |
| H&M Code of Conduct, on-site observation | | |
| 1) personnel file review; worker and management interviews; 2) None | 1) According to documentation, there was only 1 juvenile worker now; factory got registration from the local labor bureau for the worker. 2) H&S management procedures are established and factory also identify risks for juvenile worker's protection. It is observed that juvenile workers are prevented from hazardous positions. | personnel files; factory policies and regulations; registration records |
| labor contract review; worker and management interviews | H&M requires all factories to follow the law concerning labor contracts. According to documentation and interviews, a copy of labor contract was given to all workers. | personnel files, worker interviews |
| Health and Safety policy, document review | | |
| fire permit review, Inspection Certificate of Boiler, management interview | H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. H&M will require the factory to apply for a fire service inspection certificate and follow up with its improvement in 2013. | |
| on-site observation | | |
| on-site observation | All sewing machines were equipped with safety belt guards. Safety devices were also installed on sewing machines and cutting machines. | visual inspection |

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| on-site observation | Medical facility in factory is not required by law in China and, thus, it is not a common practice in China factories. There were sufficient workers trained in first aid; first aid boxes are available on all floors. Although there is no clinic in the factory, there is a public clinic near the factory, and workers are free to leave the workplace if they feel sick during working hours. In addition, compensation is provided for workers by the factory when they apply for sick leave. | visual inspection; training records; worker and management interviews |
| file safety regulation on the notice board, on-site observation | | |
| Worker's Committee record review; worker and management interviews | In China, an independent trade union is not allowed by the Consitution. Yet, H&M always requires that workers should be free to form associations of their own choice. We do not accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organise or join an association. In addition, during our audits, we put effort on building effective communication channels between workers and management, for example, workers representatives or committee. H&M evaluates the dialogue system in factories, requiring teh factory to set up clear policy on promoting functioning labor dialogue, assign the right people to talk with workers, establish clear procedure to facilitate workers putting forward their opinion, keep records of all meetings, and do proper follow up. Also, H&M cooperated with consultants to provide relevant training to suppliers regarding grievance and dialogue system. By these efforts, it is expected that suppliers' awareness and knowledge is strengthened and they can improve labor dialogue gradually. Last audit was in October 2012. It is observed that factory cast the election June 29, 2012. They voted 5 representatives, all of them are workers. The main responsibility of the committee is to collect workers' concerns and carry out the communication between workers and management. They have held 2 meetings to discuss the way of collecting workers concerns in July 6, | election records; meeting records; worker and management interviews |
| None | In China, an independent trade union is not allowed by the Consitution. Yet, H&M always requires that workers should be free to form associations of their own choice. We do not accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organise or join an association. In addition, during our audits, we put effort on building effective communication channels between workers and management, for example, workers representatives or committee. H&M evaluates the dialogue system in factories, requiring teh factory to set up clear policy on promoting functioning labor dialogue, assign the right people to talk with workers, establish clear procedure to facilitate workers putting forward their opinion, keep records of all meetings, and do proper follow up. Also, H&M cooperated with consultants to provide relevant training to suppliers regarding grievance and dialogue system. By these efforts, it is expected that suppliers' awareness and knowledge is strengthened and they can improve labor dialogue gradually. Last audit was in October 2012. It is observed that factory cast the election June 29, 2012. They voted 5 representatives, all of them are workers. The main responsibility of the committee is to collect workers' concerns and carry out the communication between workers and management. They have held 2 meetings to discuss the way of collecting workers concerns in July 6, 2012 and September 6, 2012. | election records; meeting records; worker and management interviews |

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| worker and management interviews | There are laws in China regulating the practice of settling collective bargaining agreement in factories. However, there is no law stipulating that factories must have a CBA with workers. Nevertheless, H&M requires factories must sign contracts with all workers with clear terms on all labor issues according to law. Based on previous audit in October 2012, the factory has no violation on contract issue. Furthermore, H&M encourages factories to establish platforms for communication. During our audits we put efforts on building effective communication channels between workers and management, for example, workers' representatives or committee. Last audit was in October 2012. It is observed that factory cast the election June 29, 2012. They voted 5 representatives, all of them are workers. The main responsibility of the committee is to collect workers' concerns and carry out the communication between workers and management. They have held 2 meetings to discuss the way of collecting workers concerns in July 6, 2012 and September 6, 2012. | election records, meeting records, management interview, workers interview |
| handbook review | | |
| review of time records from August 2010 - September 12, 2011; worker and management interviews | H&M requires factories to always provide the correct attendance records and salary lists. Only after knowing the real OT and true payments are we, through dialogue with the factory, able to establish systems to reduce the overtime in a sustainable manner and improve payment practices. Based on result of latest audit in October 2012, factory is transparent and open to show all documents related to overtime hours and wages. There is no inconsistency found during this audit. Based on latest audit in October 2012, it is verified OT hours exceeded the legal limit, especially in sewing department in June 2012; also, 1 day off was not guaranteed every 7 days. We have required this supplier to fill in a sheet designed by H&M and send it back with wages and OT data every month. So that we can keep close eyes on their outcome of controlling OT and percentage of workers who are fully granted legal minimum wage and OT comp. To ensure the authenticity of the data, auditors are assigned to verify the data on site at least twice every year. H&M is planning to launch a project regarding productivity among its suppliers with the purpose of enhancing transparency and control OT work. The project is under development at present. According to factory, they will look into their production plan in order to arrange overtime work in a more reasonable way. | attendance record and payroll review |

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| review of time records from August 2010 - September 12, 2011; worker and management interviews | H&M requires factories to always provide the correct attendance records and salary lists. Only after knowing the real overtime and true payments are we, through dialogue with the factory, able to establish systems to reduce the overtime in a sustainable manner and improve payment practices. Based on result of latest audit in October 2012, factory is transparent and open to show all documents related to overtime hours and wages. There is no inconsistency found during this audit. Based on latest audit in October 2012, it is verified OT hours exceeded the legal limit, especially in sewing department in June 2012; also, 1 day off was not guaranteed every 7 days. We have required this supplier to fill in a sheet designed by H&M and send it back with wages and OT data every month. So that we can keep close eyes on their outcome of controlling overtime and percentage of workers who are fully granted legal minimum wage and OT comp. To ensure the authenticity of the data, auditors are assigned to verify the data on site at least twice every year. H&M is planning to launch a project regarding productivity among its suppliers with the purpose of enhancing transparency and control overtime work. The project is under development at present. According to factory, they will look into their production plan in order to <u>arrange overtime work in a more reasonable way.</u> | attendance record and payroll review |
| payroll review, worker interviews | H&M requires factories to always provide the correct attendance records and salary lists. Only after knowing the real OT and true payments are we, through dialogue with the factory, able to establish systems to reduce the OT in a sustainable manner and improve payment practices. Based on result of latest audit in October 2012, factory is transparent and open to show all documents related to OT hours and wages. There is no inconsistency found during this audit. And, H&M will always emphasize the importance of transparency in all kinds of activities such as factory audit, supplier meeting, workshop. etc. Based on latest audit, it is verified minimum wages are paid to more than 90% of the workers. Although OT compensation for piece rate workers are not paid according to law, H&M is making efforts to help factory improve step by step. In recent years, H&M started to collect wage and OT data from most suppliers. Suppliers are required to fill in a sheet designed by H&M and sent it back with wage and OT data every month. So that we can keep close eyes on their outcome of controlling OT and percentage of workers who are fully granted legal minimum wage and OT comp. To ensure the authenticity of the data, auditor are assigned to verify the data on site at least twice every year. Also, from 2009, H&M promoted external support program together with some consultants with professional knowledge in manufacture industry for our suppliers with the purpose to upgrading the factory set up, production arrangement, and improving the workers skills to control and reduce the overtime | attendance record and payroll review |
| payroll review, worker interviews | H&M requires the factories to always provide the correct attendance records and salary lists. Only after knowing the real overtime and true payments are we, through dialogue with the factory, able to establish systems to reduce the overtime in a sustainable manner and improve payment practices. Based on result of latest audit in October 2012, factory is transparent and open to show all documents related to overtime hours and wages. There is no inconsistency found during this audit. And H&M will always emphasize the importance of transparency in all kinds of activities such as factory audit, supplier meeting, workshop. etc. Based on latest audit, it is verified lump sum minimum wages are paid according to payrolls from April 2012 to September 2012. And according to recent wage data collected from the factory every month, over 90% of workers are guaranteed with hourly minimum wage. | attendance record and payroll review |

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| payroll review; worker and management interviews | | |
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| payroll review; worker and management interviews | H&M requires factories to always provide the correct attendance records and salary lists. Based on a recent audit in October 2012, it is observed that wage compensation was recorded properly. | attendance record and payroll review |
| payroll review; worker and management interviews | | |
| payroll review; worker and management interviews | H&M requires the factories to always provide the correct attendance records and salary lists. Based on recent audit in October 2012, it is observed that wage compensation was recorded properly. | attendance record and payroll review |
| payroll review; worker and management interviews | | |

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| subcontracting document review, management interview | <p>The supplier is required to inform H&M of all its own production units and/or subcontractors' production units used in the manufacturing of our products. In addition, the supplier is responsible for informing these units about H&M's COC requirements, and verifying implementation of these requirements. All production units involved with the processes of refining H&M products takes place must pass an H&M audit before production can start. H&M requires its suppliers to establish the necessary routines and organization to ensure that the COC is followed in both the factory and subcontractors production units.</p> <p>There are washing and embroidery subcontractors of this supplier approved by H&M. We are monitoring performance of these subcontractors regularly, and we have not detected the factory used subcontractors without noticing H&M. From 2012, H&M is working on more proactive routines to: 1) put the responsibility of preventing use of undeclared units to all different departments in the company and 2) to have clear methods and tools to trace and follow up on subcontracting by suppliers. These proactive routines are planned to be established in 2013. In the meantime, we will also evaluate the factory's management</p> | attendance record and payroll review |